



## **FEDERAL RESERVE SYSTEM**

### **Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB**

**AGENCY:** Board of Governors of the Federal Reserve System

**SUMMARY:** Notice is hereby given of the final approval of a proposed information collection by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### **FOR FURTHER INFORMATION CONTACT:**

Federal Reserve Board Acting Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17<sup>th</sup> Street, NW., Washington, D.C. 20503.

#### **Final approval under OMB delegated authority of the extension for three years, with revision, of the following report:**

*Report title:* Retail Payment Surveys.

*Agency form number:* FR 3066a, b, c, and d.

*OMB Control number:* 7100-0351.

*Frequency:* FR 3066a and b: Triennial (once every three years) with an annual component; FR 3066c: Triennial; and FR 3066d: Annual and on occasion.

*Respondents:* Depository and financial institutions, payment networks, payment processors, and payment instrument issuers.

*Estimated annual burden hours:* For 2016 surveys: FR 3066a: 43,200 hours; FR 3066b: 1,000 hours; FR 3066c: 450 hours; FR 3066d: 600 hours. For 2017 and 2018 surveys: FR 3066a: 1,700 hours; FR 3066b: 150 hours; FR 3066d: 1,200 hours.

*Estimated average hours per response:* For 2016 surveys: FR 3066a: 32 hours; FR 3066b: 8 hours; FR 3066c: 3 hours; FR 3066d: 12 hours. For 2017 and 2018 surveys: FR 3066a: 10 hours; FR 3066b: 5 hours; FR 3066d: 12 hours.

*Number of respondents:* FR 3066a: 1,350; FR 3066b: 125; FR 3066c: 150; FR 3066d: 50.

*General description of report:* The FR 3066 series is broadly authorized under sections 2A and 12A of the Federal Reserve Act. Section 2A requires that the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (FOMC) maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. section 225a). In addition, under section 12A of the Federal Reserve Act, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with regard to the regulations' bearing upon the general credit situation of the country (12 U.S.C. section 263). The authority of the Federal Reserve to collect economic data to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve is generally authorized to collect the information called for by the FR 3066 series by sections 2A and 12A of the Federal Reserve Act.

In addition, the Board is responsible for implementing and drafting regulations, interpretations, and other guidance for various payments, consumer protection, and other laws (including provisions of the Federal Reserve Act other than those cited above). The information obtained from the Federal Reserve Payments Study may be used in support of the Board's development and implementation of regulations, interpretations, and supervisory guidance for these laws. Therefore, the survey questions in the FR 3066 are authorized pursuant to the Board's authority under one or more of the following statutes:

- Expedited Funds Availability Act section 609 (12 U.S.C. section 4008)
- Electronic Fund Transfer Act section 904 (15 U.S.C. section 1693b) and section 920 (15 U.S.C. section 1693o-2)
- Truth In Lending Act section 105 (15 U.S.C. section 1604)
- The Check Clearing for the 21<sup>st</sup> Century Act section 15 (12 U.S.C. section 5014)
- Federal Reserve Act section 11 (Examinations and reports, Supervision over Reserve Banks, and Federal Reserve Note provisions, 12 U.S.C. section 248); section 11A (Pricing of Services, 12 U.S.C. section 248a); section 13 (FRB deposits and collections, 12 U.S.C. section 342); and section 16 (Issuance of Federal Reserve Notes, par clearance, and FRB clearinghouse, 12 U.S.C. sections 248-1, 360, and 411)

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. section 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. section 1844(c)); from savings

and loan holding companies under 12 U.S.C. sections 1467a(b) and 5412, from Edge and agreement corporations under sections 25 and 25A of the Federal Reserve Act (12 U.S.C. sections 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. section 3105(c)(2)), and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. section 1817(a)).

Participation in the survey is voluntary. Although the Board has the authority to require participation by state member banks, bank holding companies (and their subsidiaries), savings and loan holding companies, Edge and agreement corporations, and U.S. branches and agencies of foreign banks supervised by the Federal Reserve, it has not done so.

Respondents to the various surveys are requested to report confidential business information, such as information requested in the FR 3066a (for depository and financial institutions) about the number and value of deposits in various customer accounts, broken out by type; image check deposits vs. paper check deposits, ACH entries, wire transfers, debit and prepaid card transactions, credit card transactions, mobile payments, and third-party fraud. The other surveys request similar types of confidential “number and value” information appropriate to the surveyed entities: *e.g.*, for the Network, Processor and Issuer Payments Survey (FR 3066b), the number, value and type of transactions involving credit cards (both general purpose and private label), debit cards, and prepaid cards from each of the respondents (card networks, retail merchants, and processors). Only aggregate data from the surveys, such as estimated volumes and trends in cash usage, noncash payments, check distribution, and established and emerging payment instruments, are proposed to be publicly released.

Under exemption 4 of the Freedom of Information Act (“FOIA”), 5 U.S.C. section 552(b)(4), “trade secrets and commercial or financial information obtained from a person and privileged or confidential” may be excluded from disclosure. The confidential business information collected voluntarily from individual respondents may be withheld, as release of such information would impair the Board’s ability to collect such information in the future. Moreover, disclosure of such confidential business information could cause substantial competitive harm to the survey respondents. *See National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974).

*Abstract:* The FR 3066a, FR 3066b, FR 3066c, and FR 3066d are the latest iteration of the Federal Reserve Payments Study (FRPS), which has been conducted by FRB Atlanta and the Board since 2000. The FRPS originated from a system-wide effort to improve the measurement and public availability of information on volumes and trends in checks and other noncash payments. Despite the retail payments system’s critical importance in supporting everyday commerce, there was a significant gap in quantitative information on U.S. retail payments before 2000. The FRPS filled this gap by providing a reliable and transparent non-mandatory survey-based approach to collecting payments industry data on retail payment volumes and trends.

The FR 3066a currently collects information on the national volume (number and value) of major categories and subcategories of established and emerging methods of payment from a nationally representative stratified random sample of depository institutions.<sup>1</sup> Most questions in the surveys consist of payment and related transactions organized as number-value pairs. The FR 3066b currently comprises 15 different surveys, each specific to a particular payment instrument and/or respondent type (respondents only answer surveys that apply to their organizations). It collects information from a census of payment networks, processors, and issuers. The FR 3066c currently collects data from samples of individual checks obtained from a set of depository institutions. The FR 3066d is an ad-hoc supplement to the other FR 3066 surveys.

*Current Actions:* On November 25, 2015 the Federal Reserve published a notice in the Federal Register (80 FR 73760) requesting public comment for 60 days on the extension, with revision, of the FR 3066a, b, c, and d. The comment period for this notice expired on January 25, 2016. The Federal Reserve received four comment letters addressing this information collection, which are summarized and addressed below.

### **Summary Discussion of Public Comments and Responses**

The Federal Reserve received written comments from one payment industry association, one merchant trade association, one payment card network, and one private citizen. All commenters supported the data collection effort, and noted that the information is widely used by payment system participants as a benchmark and to gain insights into payment system trends. Commenters believed that providing the data requested in the surveys would generally not be burdensome to respondents.

At the Federal Reserve's request, contractors assisting with the survey design conducted industry outreach calls to obtain comments on the clarity of the survey forms and the feasibility of providing the requested data items. Institutions represented in the calls included financial institutions, networks, and processors of several types and sizes. Specific questions were not included in the initial request for public comment.

A variety of revisions to the surveys resulted from outreach discussions with participants as well, and generally involved clarifications or restatements of questions in order to address issues brought up in these discussions. The detailed discussion below addresses the specific substantive issues that arose from the written comments and outreach efforts, and the Federal Reserve's modifications to the surveys in response to the comments. In addition to these modifications, minor clarifications would be made to the surveys in response to the comments.

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<sup>1</sup> To obtain comprehensive coverage of total national volumes the survey may also include non-depository financial institutions.

## **Detailed Discussion of Public Comments and Responses**

### **Depository and Financial Institution Payments Survey (FR 3066a)**

The Federal Reserve proposed to collect annual 2015 data instead of one month as in the 2013 version, as the resulting data can be more easily compared with data collected in the FR 3066b, and avoid concerns about seasonal effects. While some institutions noted an inability to report a full calendar year of information for some items, others reported no difficulty or even a reduction in burden. The survey will provide instructions on how to respond when annual data is difficult to report, and will accommodate the reporting of best available information from institutions experiencing difficulty reporting the full year. For example, the survey will accommodate the reporting of an alternative time period, indicated via a notes field provided at the end of each section.

Substantial clarifications have been added throughout the surveys, based on discussions with outreach participants. These discussions led to a comprehensive set of revisions specifically made to clarify the surveys, and thereby reduce the burden of response. A glossary of terms, frequently asked questions document, user-friendly web tools, and an 800-number help line will be provided to ease response. Materials will continue to be developed and clarified as necessary to help facilitate response.

Written comments directed at the 3066a primarily discussed the ACH and the Unauthorized Third-Party Payment Fraud sections. In particular, one comment argued that the institution originating the payment is “in the best position to monitor and report on transaction volume, value, and returns.” This argument suggested that questions about ACH debit payments should be collected from the perspective of the originating depository financial institution (ODFI), or the payee’s depository institution. In order to be responsive to this concern, questions were added to collect ACH debits from this perspective. In addition, to address concerns with the reporting of unauthorized third-party fraud payments, questions on the number of returned ACH debits, along with a breakdown of various categories of returns were also added from the ODFI perspective.

Consistent with the design of the sampling and estimation methods, past surveys collected ACH debit payments and related information from the perspective of the receiving depository financial institution (RDFI). In order to preserve comparability with past surveys and compatibility with the sampling and estimation methods, these questions were retained. One comment suggested that surveying RDFIs would not generate reliable data. Collecting information from both parties to the transaction should shed light on these concerns and help to improve understanding of the ACH data overall.

One comment requested that a “near real-time” line item be added to the ACH section. Meanwhile, as discussed above, concerns about the ability of depository institutions to respond to ACH questions resulted in additional questions in the ACH section. Also, the related “same-day” settlement question was removed given the *de minimus* amount of such activity known to have occurred through ACH operators in 2015. The Federal Reserve believes that, for the 2015 version of the survey, questions

regarding new payment initiation methods remain in other parts of the surveys. While settlement speed is not currently addressed in the surveys, some alternative payment initiation methods, such as account-to-account products that may post relatively quickly and often settle through the ACH, are measured in other sections in 3066a and 3066b.

Additional comments expressed concerns with some ACH definitions in the survey that may appear confusing. These definitions have been used in past surveys, however, and participants have generally found them clear. In part, confusion about these questions may have stemmed from the omission of some descriptive information from the posted surveys. A glossary and fuller descriptive information on these terms are published in the detailed report and surveys from 2013. As in past surveys, the glossary and fuller descriptions of the questions, revised appropriately, will be provided in the complete survey distributed to participants.

One comment suggested adding questions about mobile debit card routing options provided on debit cards. These questions were not added in the present survey, in part because the materiality of the question has not been established. Questions about the provisioning of mobile wallets are new to the survey, and additional questions may be added in the future if a baseline can be established.

### **Networks, Processors, & Issuers Payments Surveys (FR 3066b)**

Substantial clarifications have been added to the surveys, based on discussions with outreach participants. In addition, some questions were deleted and some added based on feedback received.

In a sweeping change affecting most surveys, a new question allowing the option to select the preferred basis to use for allocations of detailed payments data and, separately, fraud data was added. In the previous version of the survey, participants were asked to allocate details on the basis of Net, Authorized and Settled transactions (NAST). NAST will remain the default selection, but participants may choose Total authorized transactions, or Net Purchase Transactions as the basis instead. This change is expected to substantially reduce the burden of providing details for some respondents.

Allocations between contact and contactless payments were dropped, based on comments suggesting such allocations would be difficult or impossible to provide.

Revisions to the general-purpose prepaid card surveys were made to make the data and terminology more consistent with the FR 3063a Government-Administered, General Use Prepaid Card Survey.

Some comments addressed specific concerns with the ability to distinguish or report certain requested items in the survey. Our survey process is designed to accommodate such concerns, and we will work with participants to collect those data participants can report.

The deferred payment processor survey was discontinued.

### ***General-purpose cards***

One comment requested that a question be designed to capture net chargebacks from the general-purpose card networks. The Federal Reserve believes that the current question “chargebacks (issuer-initiated)” is equivalent to the requested item, and could be contrasted with the question “adjustments and returns (acquirer-initiated).” A more detailed examination of chargebacks is beyond the scope of the current surveys.

Another comment suggested the omission of the question to identify the volumes of “3-D secure” authentication, which is typically provided by the card networks. As an alternative, the comment suggested including a variety of other types of authentication that might not be tracked by or reported to the networks. Discussions with card networks suggested that the ability to report the use of alternative authentication methods was not possible. The Federal Reserve will retain this question, but notes that the “Online Payment Authentication Methods Processor” survey (formerly the “Secure Online Payment Processor survey”) is designed to collect information on such other authentication methods.

Another comment addressed concerns about the collection of information on the “tokenization” of payments from card networks. Such solutions can be implemented in various ways by parties to the transaction. It would be difficult to comprehensively measure the variety of tokenization schemes being used. The Federal Reserve believes it is important to collect information from survey respondents that is feasible, even when the universe of competing methods cannot be measured in the survey. Given that the surveys sometimes collect partial information, it is important to recognize any limitations on new and emerging trends, especially at the analysis and reporting stages.

A comment suggested collecting “counterfeit” fraud for remote payments. The survey collects counterfeit card fraud, which, according to card network definitions, means that a fake version of the card is created and used at a merchant’s point-of-sale card terminal, an in-person situation. Remote payment fraud is classified by the card networks as an “unauthorized use of account number.” The Federal Reserve believes this definition will capture the type of fraud requested in the comment.

A comment requested some detail on mobile wallet provisioning. As mobile wallet questions are new for this survey, the Federal Reserve will not expand mobile wallet questions until a baseline can be established.

### ***Private-label cards***

One comment requested the addition of questions on the number of cards in force with multi-factor authentication mechanisms. The revised survey includes a question on the use of chips for private-label cards for the first time. Additional questions may be considered once a baseline is established.

***EBT***

A comment suggested collecting additional detail on authentication methods used for EBT payments. The Federal Reserve believes that EBT payments are almost exclusively PIN authenticated. Past survey efforts have not been successful in obtaining much detail underlying EBT payments, and the survey detail already requested may be difficult to obtain. No additional questions concerning authentication methods will be added at this time. If the situation improves, the Federal Reserve will seek to collect additional relevant detail in the future.

***Mobile Wallet***

A comment requested clarity with respect to the definition of a remote mobile transaction. Across all surveys, a remote payment is one in which the payment transaction is performed remotely, regardless of where or how the good or service is obtained. In an example with a remote card preauthorization, but with a payment made in person, the survey definition is that the payment is an in-person payment.

A comment suggested breaking out fraudulent mobile wallet transactions into person-present and remote categories. This requested breakout was added to the final proposed survey.

A comment suggested tracking the number of fraudulently provisioned cards to mobile wallets. The Federal Reserve does not know how such a question should fit into the present survey framework at this time, but believes that information on the number of fraudulent mobile wallet transactions may serve as a useful alternative measure.

Board of Governors of the Federal Reserve System, February 29, 2016.

Robert deV. Frierson,  
Secretary of the Board.

Billing Code 6210-01-P

[FR Doc. 2016-04654 Filed: 3/2/2016 8:45 am; Publication Date: 3/3/2016]